

Financial Implications for School Nutrition Managers

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New Manager Orientation
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By the end of this session, you will be able to

Know where to find resources to assist you with financial matters;

Identify financial management terms used in school nutrition programs

Describe sources of revenue and expenditures;

Discuss ways to control food and labor costs

Know why it is important to control inventory

Resources to Help With Financial Management

Institute of Child Nutrition

www.theicn.org

- Financial Management Webinars
- Financial Management Online Course
- Inventory Management and Tracking Online Course
- Other training resources

Iowa Webinars

Summer Short Course

Your regional consultant

Goal: Self-Supported School Nutrition Programs

That means:

TOTAL REVENUE (Income)

greater than

TOTAL EXPENDITURES (Costs)

Revenue=Program Income

Federal

State

Local

Fund transfer

Federal

Meal reimbursement

USDA food entitlement

Fresh Fruit and Vegetable Program

Other grants

Federal Revenue per Reimbursable Lunch 15-16

Current rates can be found on IowaCNP

- Free meals
\$3.07 from USDA
- Reduced price
\$2.67 from USDA + \$.40 from family = \$3.07
- Paid meals
\$.29 from USDA + Your School Price = ????
- All eligibility levels – additional \$.06 per lunch when certified

State and Local

State: meal reimbursement
(2-3¢ per meal)

Local: full and reduced price meal payments, a la carte sales, adult sales, catering, contract sales

Fund transfer

Fund Transfer

- School meals programs are expected to be self-maintaining
- Districts may absorb some costs through the general fund
- Fund transfer usually used to cover shortfalls or special needs

Required Adult Price 2016-17

15-16 Free Meal Reimbursement	3.07
15-16 Performance Based Reimbursement	0.06
USDA Foods Estimate	<u>0.3125</u>
	3.4425
Rounded Up = \$3.45	

USDA Foods Value

- USDA Foods (Commodity) value: Last year it was \$0.3125 per lunch served the previous year--Not exactly cash in bank, but an amount to spend
- Financial Benefits of Using USDA Foods:
BBQ Pulled Pork Example Handout

financial picture.

Vendor	USDA Foods
6 cases Pork Roast = \$800.00	6 cases Pork Roast = \$19.50
*1 case BBQ Sauce = \$ 15.00	*1 case BBQ Sauce = \$ 15.00
\$815.00	\$ 34.50
\$815.00/2000 = \$.41 per svg.	\$34.50/2000 = \$.02 per svg.

*BBQ sauce is not available through the USDA Foods program. All costs are for example only and may not reflect current costs.

Average Daily Participation

Average Daily Participation (ADP)

$$\frac{\text{Total meals for time period}}{\text{Number of serving days}}$$

Example: 5000 meals/20 serving days=
250 ADP

Calculate Average Daily Participation

Meal	#Student Meals Served	# Serving Days	ADP
Breakfast	14,500	150	
Lunch	35,000	180	

Average Daily Participation Answers

Meal	#Student Meals Served	# Serving Days	ADP
Breakfast	14,500	150	97
Lunch	35,000	180	194

$14,500/150 \text{ days} = 96.7 = 97$

$35,000/180 \text{ days} = 194.4 = 194$

Percent Daily Participation

$$\frac{\text{ADP}}{\text{Average Attendance}}$$

Examples:

$250 \text{ ADP}/500 \text{ Average attendance} = 50\%$

$250 \text{ ADP}/275 \text{ Average attendance} = 91\%$

Calculate Percent Daily Participation

Average Daily Attendance = 300

Meal	ADP	%ADP
Breakfast	97	
Lunch	194	

Percent Daily Participation Answers

Enrollment = 300

Meal	ADP	%ADP
Breakfast	97	32%
Lunch	194	65%

$97/300 = .323$

$194/300 = .646$

Key point

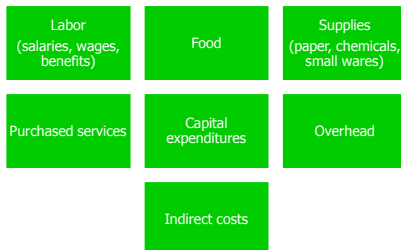
Students must eat school meals in order for you to have revenue !

Revenue

Revenue alone is not an indicator of profitability

$$\text{Total Revenue} - \text{Total Expenses} = \text{Profit or Loss}$$

Expenses (Costs)



Key Points

- Just because an expense increases doesn't mean you will lose money.
- Increases in one expense category may be accompanied by increases, decreases or no changes in other expense categories

$$\text{Total Revenue} - \text{Total Expenses} = \text{Profit or Loss}$$

Menus

- Driving force of school nutrition operation
- Cycle menus have financial advantages

Calculating Cost of Food Used

$$\begin{aligned} &\text{Beginning Inventory (purchased and USDA Foods)} \\ &+ \text{Total Purchases (purchased and USDA Foods)} \\ &= \text{Total Food Available} \\ &- \text{Ending Inventory (purchased and USDA Foods)} \\ &= \text{Cost of Food Used} \end{aligned}$$

Inventory methods

- Perpetual Inventory
 - Running record of items in stock
 - Can be manual or computerized
- Physical Inventory
 - Actual count of items in stock
 - Required periodically even if keep perpetual

Purchasing and Inventory Management

- Food is one of two "big ticket" expenses in your program. (the other is labor)
 - Inventory is money spent, but not used
 - Convenience vs. conventional production affects costs
- Paper and chemicals also part of inventory
 - Can have an inverse relationship—more disposables/less dishwashing

Key Points

- Extra charges may make an obvious choice not so clear cut/consider all costs when making purchasing decisions
- Maintaining a reasonable inventory and purchasing program is helped by planning menus for stable usage--cycle menus

Reducing Food Cost

- Ways to Lower Food Costs in School Nutrition Programs Handout
- Cost of over-production
- Savings from batch cooking
- Portion control

Extra Servings Cost

500 Actual - 300 Estimated = 200 Extra

200 Extra X .30 Each = \$60

\$60.00 X 75 times = \$4,500

Batch Cooking Cost Saving

20 Extra before BC - 3 Extra BC = 17

17 Saved X 30 times = 510

510 X .79 each = \$402.90

Too Large Portion Cost

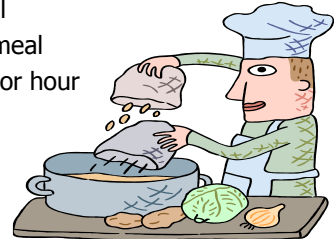
3 pieces instead of 2 = extra \$.23

\$.23 X 250 portions = \$57.50

\$57.50 X 30 times = \$1725.00

Labor Costs

- Cost per meal
- Minutes per meal
- Meals per labor hour
- % total costs or revenue



Points to Know

- There is a fixed amount of direct labor required to make one meal...it may be the same amount of labor to make 50 meals.
- Comparing one operation against another that is dissimilar provides no information. There are many variables in equipment, menu, etc.

Setting Ala Carte Prices

- Consider all costs-not just food cost
- USDA requires total non-program revenue percentage be greater than or equal to total non-program food cost percentage not by individual item.

New Requirement: 2010 HHFKA

- USDA requires documentation that % of revenue from non-program foods be \geq to % of food costs for non-program foods.
- Non-program foods=no USDA reimbursement:
 - Adult meals and contracted meals
 - Second meals or second portions sold
 - Other ala carte items (not part of reimbursable meal)

Revenue from Nonprogram Food

To implement this requirement SFAs need to

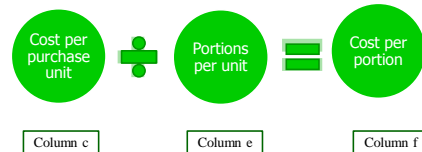
- Identify the proportion of total food costs attributable to non-program food in order to establish revenue target
- Price non-program food items to ensure that revenues will meet the requirement
- Track non-program food revenues separately from all other revenue items

Computing Costs of Single Ingredient Products

Compute the cost per serving of the following products (columns c - f) (15)

Ingredient	Purchase Unit	Cost per Purchase Unit	Serving size	Portions per Purchase Unit	Cost per portion
Burrito (2 oz MMA)	Case	\$25.76	1 each	60	0.429
Crispito (1 oz MMA)	Case	\$29.52	1 each	72	0.410
Pizza, Pepperoni (2 oz MMA)	Case	\$40.79	1 each	80	0.510
Sweet Potato Puffs	15 lb case	\$23.24	2.25 oz	About 100 per case	0.219
Green Beans	6-#10 cans	\$17.92	1/2 cup	120 (20 per case)	0.149
Apple Sauce	6-#10 cans	\$24.56	1/2 cup	120 (20 per case)	0.205
Whole grain bread	Loaf	2.69	1 slice	24	0.112
Cereal, Loops (1 unit G/B)	Case	\$23.04	1 each	96	0.240
Beef Steak Fingers	Case of 180	\$23.40	Elementary 3 each	60	0.390
Beef Steak Fingers	Case of 180	\$23.40	Secondary 4 each	45	0.520
French Toast Sticks	Case	\$16.95	3 sticks	55	0.308
Banana	40 # box	\$20.70	1 each	120	0.173

Cost per portion



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Financial Mgt. Tools from Bureau

- Menu costing worksheets
- Financial Tracking Worksheets
- Financial Report on IowaCNP
- Procurement (Purchasing) Guidance

Keys to financial success

- Participation by students
- Managing inventory and purchasing
- Knowing and managing costs per meal
- Using the resources available to you

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1400 Independence Avenue, SW
Washington, D.C. 20250-9410;
 - (2) Fax: (202) 696-7442; or
 - (3) Email: program.intake@usda.gov.
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Questions??

Will answer now if time

OR

Record for answering in break-out session